ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN JANUARY

The usual post-Christmas seasonal letdown combined with reduced operations in automobile and other industries contributed to a somewhat lower level of business activity in January. Nevertheless, many raw materials continued in short supply and nonfarm prices remained generally firm. Prices at the farm stiffened somewhat for meat animals and vegetables, but this was offset, so far as most farmers were concerned, by corresponding increases in prices paid by farmers. The parity ratio, the ratio of prices received by farmers to prices paid, remained at 80, six points below the level of a year ago.

For retailers January was, on the whole, another good month. Though down substantially from December's seasonal peak, department store sales were slightly above January of last year, and auto sales were about the same as last January.

Employment Maintained

Despite large layoffs in the automobile and various nondurable goods industries, employment in January was at a new high for the month, 62.9 million. This was 2.7 million more than last January although down seasonally by well over one million from this December's peak. Much of the reduction from December was due to seasonal declines in construction, transportation, and service trades.

The factory layoffs contributed to a seasonal rise in unemployment between December and January of about 450,000. Roughly 2.9 million were unemployed and actively seeking work in January, but this was about 13 percent less than a year earlier.

Accompanying the reduction in factory employment was a drop in the average workweek in nonfarm employment to 40.6 hours and a decline in average weekly earnings of production workers to $78.36. Average hourly earnings, however, remained at the December figure of $1.93.

Construction High

The value of new construction put in place in January set a record for the month although, like most other business indicators, it was down sharply from the previous month's level. At $2.8 billion, construction outlays corresponded to an annual rate of $41.5 billion on a seasonally adjusted basis. Work put in place in 1955 amounted to $42.3 billion.

High rates of activity were reported in industrial construction, commercial building, military construction, highways, and school building. Private homebuilding, on the other hand, registered a sharper-than-usual decline from the December level.

Manufacturers' Inventories Up

Manufacturers entered 1956 with $2.5 billion more in inventories than they had a year earlier. Nearly 90 percent of the increase occurred in the holdings of durable goods producers, which aggregated $26.2 billion at the end of the year; the corresponding figure for nondurable goods industries was $19.8 billion. Noteworthy is the fact that nearly half of the increase in inventory holdings during 1955 was due to higher replacement costs.

Sales of manufacturers in December were near peak rates of the year, after adjustment for seasonal variations. Nevertheless, orders exceeded sales during the month by $1.7 billion, all of the excess being in durable goods industries. As a result, unfilled orders on the books of manufacturers at the beginning of this year amounted to $55.5 billion, $9 billion more than at the start of 1955.

Antitrust Action

Several far-reaching decrees in the area of antitrust regulation were taken by the Federal government during January. Hardest hit, perhaps, was International Business Machines, which consented, among other things, to sell as well as lease its equipment, to refrain from requiring purchasers of International Business Machines to use exclusively International Business Machines punch cards or parts, and to make its patents freely available on a cross-licensing basis at reasonable rates. The American Telephone and Telegraph Company also agreed to make its patents freely available and to have Western Electric, its manufacturing subsidiary, divest itself of its operations in "unregulated" activities, principally the production of picture sound equipment and of private communications systems. In another historic action, the American Association of Advertising Agencies consented to give up its past policy of fixing advertising commission rates for the industry.

Considerable expansion of government activities in the antitrust area are called for in the proposed Federal budget for the next fiscal year (see p. 6). It is not unlikely, therefore, that actions affecting other industries will be forthcoming during the next year or so.

THE FEDERAL BUDGET FOR 1957 · · By H. D. Kreager · · Page 6

ILLINOIS BUSINESS REVIEW

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Economic Problem of the West

Last month it was pointed out that any substantial decline in business here would have repercussions abroad, involving us in differences with our competitors and customers in the Western World. It was suggested that our foreign trade would provide a moderate cushion against the decline even though their reactions would largely take forms discriminatory against our exports. It may be pointed out that such a situation would not necessarily worsen our own position over the recession as a whole. What the effect would be depends on how well the countries with whom we trade could succeed in maintaining their own incomes and employment. It may be important for us to understand the position of Western Europe in the event of such developments.

The Boom in Western Europe

In recent years the industry of the world has forged ahead to new peaks. Without going into detail, or qualifying for various exceptions, it may be said that the countries of Western Europe have fully participated in the boom. All economic sectors contributed to a spending spree of unprecedented magnitude. Demands for production of all kinds — by business, governments, and consumers — have pushed activity to a state of full employment, and in some cases of over-full employment.

Although the boom has been general, its specific driving force as new peaks were achieved has been the expansion of private investment. The drive for expansion was born in the need for reconstruction and was aggravated by military and other government programs. Prewar levels had generally been recovered by 1950, and by the end of 1953, cold war and Korean needs were no longer imposing intense pressures. Then, investment began to forge ahead on its own momentum. Persistent efforts had been made to foster capital accumulation at the expense of consumption, but hopes and expectations were surpassed in the unprecedented surge of business investment in new plant and equipment. From 1953 to 1955, industrial building in Great Britain approximately doubled, and demand for equipment rose correspondingly.

Credit was freely used as a means of financing purchases. Resort to credit is the normal procedure for businesses seeking capital to expand their capacity and operations. Credit was also used to some extent to promote export sales. A comparatively new development in Europe was the use of credit to finance consumer purchases, particularly of durable goods, as in this country. This use of consumer credit to anticipate future income has no doubt made a contribution to the recent rate of growth, but it is likely to make an even greater contribution to instability.

The upswing was accompanied by a strong surge in business confidence, fostered by soaring profits and encouraged by the adoption of conservative policies in most countries. Optimism helped the boom to build on itself. It combined with fear of inflation to produce some forward buying, further exaggerating the pace of expenditure. Although finished product prices remained relatively stable, inflationary pressures were experienced in the area of industrial costs, with wage rates and prices of industrial materials perceptibly moving up.

These symptoms of an exaggerated boom gave rise to some uneasiness in official circles, but there were also departures from the typical pattern to provide an appearance of solid progress. Both the comparative stability of prices and the continued accumulation of gold and dollar reserves could be cited as evidence that the danger point had not been reached. The monetary authorities therefore followed a "wait and see" policy. They were fearful of inflation but hesitated to call a halt. There was little real restraint in the mild measures of "disinflation" imposed, which were deliberately designed to stop short of stimulating fears that a real slump might occur.

Beyond the Point of Stabilization

Looking at the European situation in broad terms, it is not unlike the situation here. The boom has progressed beyond the point of stabilization. It appears to be moving toward a climax, building elements of instability and weakness as it progresses. The symptoms of inflationary pressure in themselves provide no assurance that the pace of the advance can be kept up. The expansion has been built on the advance in total markets, including export markets, and when that advance slows, the need for expansion will diminish.

In this investment boom, the mechanism of the business cycle is performing in typical fashion. It works beautifully on the upswing, but in the enthusiasm of new highs, there is a tendency to forget that it works with equal vigor, if not so pleasantly, on the decline. What tends to be forgotten is that once the cycle has reached the peak, efforts to prevent surpluses from developing bring on the setback. At that point, accumulation can only be halted by cutting production, and surpluses can only begin to be worked off after recession has progressed more than just a little. In other words, there is a definite need to slow down; but it is impossible to slow down without going into reverse.

The fact that the European economies have not progressed to the same degree of market saturation as ours is cited as assurance against such a development. Although their unsatisfied needs are potentially greater, needs alone do not determine the degree of market saturation in the sense in which that factor represents a force in the business cycle. True, they have less! But their markets reach an equivalent saturation with less, because given their resources, their production capabilities, and their income distribution, they can afford less.

Signs of weakness are not immediately apparent, and it is not intended to argue here that a collapse is im-

(Continued on page 8)

VERSATILE PLASTICS

Fifty years ago the possibility of developing chemical products more flexible than rubber or stronger than steel would have seemed in the realm of science fiction. Yet this has already been accomplished with the advent of plastics. Technically, plastics are highly complex chemical compounds which can be formed into various shapes and designs. However, there is a great variety of plastic substances, and the industry is new enough that many of their potentialities have not yet been determined.

Types of Plastics

The four principal types of plastics are natural resins, synthetic resins, cellulose derivatives, and protein substances.

Natural resins, such as asphalt, pitch, rosin, and shellac, are common substances used in the industry for the production of fusible types of molded products. They are used extensively in the manufacture of insulators, records, and for protective coatings.

Synthetic resin plastics are developed from such raw materials as coal and petroleum, through such intermediate channels as phenol, formaldehyde, glycerol, and acetylene. They are used extensively in the manufacture of electrical and automotive parts, containers, kitchenware, and costume accessories.

Among the leading materials produced by the plastics industry are the cellulose derivatives which are made primarily from wood cellulose or cotton linters treated with acids or other chemical solutions. Their principal uses include toys, film, safety glass, cabinets for radios and TV sets, jewelry, artificial leather, and lacquers.

Skimmed milk and soybeans are the primary sources of protein plastics. Casein, produced from milk, has a rather limited use and is primarily confined to the manufacture of ornaments, artificial wool, novelties, and buttons. Soybean meal, however, has been promoted by the Ford Motor Company, and many car accessories are produced from it.

Development

The first plastic, cellulose nitrate, was discovered in 1833 by a French chemist, but it was not until 1868 that it was put to practical use. While trying to find a substitute for ivory, John Wesley Hyatt, of Albany, New York, mixed it with camphor and created celluloid, the first commercially accepted plastic. It was employed in many uses, including the making of collars and cuffs, dentures, and early automobile windows.

In 1909, Dr. L. H. Baekeland developed the phenolic resins, from which Bakelite is derived. The phenolic plastics are the foundation of the plastics molding industry, and have completely revolutionized the paint and varnish industry. Many of the most widely used plastics have been discovered only within the past twenty years; this is also true of many products of related characteristics, such as nylon and polystyrene (introduced in 1938); dacron, orlon, and polyethylene (1942); and the silicones (1943).

The Industry

There are four major groups of firms which constitute the plastics industry: raw material manufacturers, molders, fabricators, and laminators.

The raw materials producers turn out plastic in seven major forms. Basic compounds made in flake, granular, and powder form are used by the molders who press them into finished products; rods, sheets, and tubes of plastic are turned into industrial or consumer items by the fabricators through machine processing; and liquid adhesives or resins are used by laminators to impregnate cloth, paper, and wood, or to bond glass fibers.

Production of raw materials is primarily limited to the major chemical companies because of the complex chemical nature of the plastics. In 1953 there were approximately 140 producers of raw materials employing 43,000 persons and shipping products valued at nearly $1.5 billion, compared with 1947, when 125 firms, employing 29,300 persons, shipped products valued at only a little over half a billion dollars.

The development of plastics has brought about the establishment of hundreds of enterprises engaged in the production of plastic products. In addition to molders, fabricators, and laminators, who together number over 3,000, there are many other important groups, such as textile operators and glassmakers, which are closely affiliated with the industry.

Illinois — Production Center

Illinois firms manufacture more plastic products than those of any other state in the nation. The output of the Chicago area alone, based on volume of raw materials consumed or on value of finished products, amounts to approximately 35 percent of the entire United States total.

There are several raw material manufacturers located within the State, such as the Sherwin-Williams plant at Roseland and Glidden's liquid resin plant in northeast Chicago. However, the State's claim to leadership in the plastics industry is based on its numerous processors.

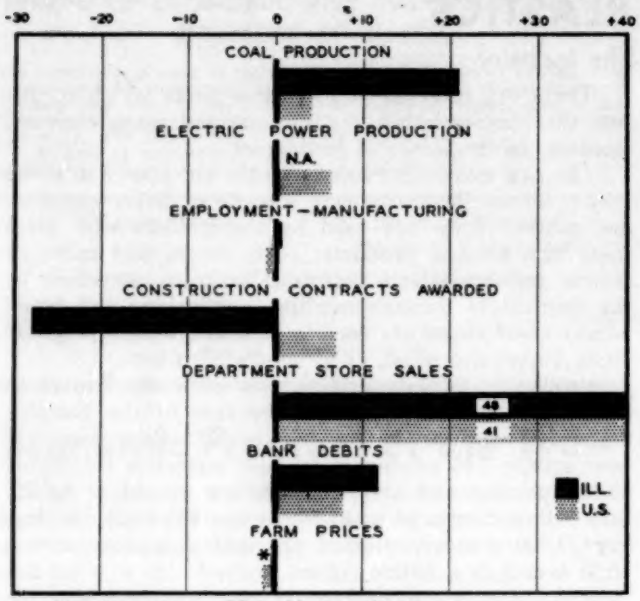
The Chicago area has produced some giants in this field. The American Phenolic Corporation, the world's largest supplier of plastic components to the electronics industry, the Chicago Molded Products Corporation, the Molded Products Division of Admiral Corporation, Mills Plastic Division of Continental Can, Richardson Company, and the Santay Corporation are only a few of the 500 firms located within the Chicago area that have contributed to the State's leadership in the plastics field. Other producers are located at Decatur, Elgin, Freeport, Georgetown, Paris, Peoria, Plano, Rockford, Tuscola, and Woodstock.

Illinois, with its many molding and fabricating plants and its large array of plastic products, has aided in opening up new vistas of opportunity. With the development of newer products and processes of creative chemistry, Illinois will continue to play a leading role in the multi-billion dollar plastics industry.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes November, 1955, to December, 1955



* No change. N.A. Not available.

ILLINOIS BUSINESS INDEXES

Item	December 1955 (1947-49 =100)	Percentage Change from Nov. 1955	Percentage Change from Dec. 1954
Electric power[1]	223.9	+ 7.6	+ 9.7
Coal production[2]	106.3	+20.8	+12.8
Employment—manufacturing[3]	109.0	+ 0.3	+ 6.9
Weekly earnings—manufacturing[3]	149.3[a]	+ 0.1	+ 9.5
Dept. store sales in Chicago[4]	115.0[b]	+ 2.7	+ 7.5
Consumer prices in Chicago[5]	118.5	- 0.5	+ 1.3
Construction contracts awarded[6]	176.8	-28.1	- 8.2
Bank debits[7]	177.4	+11.7	+ 4.2
Farm prices[8]	71.0[c]	0.0	-14.5
Life insurance sales (ordinary)[9]	250.5	+23.0	+29.0
Petroleum production[10]	129.6	+ 2.4	+12.4

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.

[a] November data; comparisons relate to October, 1955, and November, 1954. [b] Seasonally adjusted. [c] Revised series.

UNITED STATES MONTHLY INDEXES

Item	December 1955	Percentage Change from Nov. 1955	Percentage Change from Dec. 1954
	Annual rate in billion $		
Personal income[1]	315.0[a]	+ 1.0	+ 7.4
Manufacturing[1]			
Sales	327.6[a]	0.0	+13.3
Inventories	45.9[a, b]	+ 0.4	+ 6.0
New construction activity[1]			
Private residential	15.4	- 9.8	+ 2.0
Private nonresidential	13.5	- 6.9	+12.1
Total public	9.2	-22.1	- 7.5
Foreign trade[1]			
Merchandise exports	15.7[c]	- 6.2	+ 4.7
Merchandise imports	12.8[c]	+ 5.4	+26.8
Excess of exports	2.9[c]	-36.7	-40.5
Consumer credit outstanding[2]			
Total credit	36.2[b]	+ 3.3	+20.2
Installment credit	27.9[b]	+ 2.4	+24.2
Business loans[3]	26.7[b]	+ 2.5	+19.0
Cash farm income[3]	n.a.	.....	.....
	Indexes (1947-49 =100)		
Industrial production[3]			
Combined index	144[a]	0.0	+10.8
Durable manufactures	160[a]	- 0.6	+11.9
Nondurable manufactures	130[a]	0.0	+ 9.2
Minerals	127[a]	+ 1.6	+ 9.5
Manufacturing employment[4]			
Production workers	108[a]	- 0.7	+ 6.1
Factory worker earnings[4]			
Average hours worked	104	+ 0.5	+ 2.2
Average hourly earnings	145	0.0	+ 5.5
Average weekly earnings	151	+ 0.5	+ 7.8
Construction contracts awarded[5]	251	+ 6.9	+ 5.0
Department store sales[3]	121[a]	- 0.8	+ 4.3
Consumers' price index[4]	115	- 0.3	+ 0.3
Wholesale prices[4]			
All commodities	111	+ 0.1	+ 1.6
Farm products	83	- 0.8	- 7.2
Foods	98	- 0.6	- 5.1
Other	120	+ 0.3	+ 4.2
Farm prices[3]			
Received by farmers	82	- 1.2	- 6.8
Paid by farmers	112	0.0	0.0
Parity ratio	80[d]	- 1.2	- 7.0

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.

[a] Seasonally adjusted. [b] As of end of month. [c] Data are for November, 1955; comparisons relate to October, 1955, and November, 1954. [d] Based on official indexes, 1910-14 = 100. n.a. Not available.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1956 Jan. 28	1956 Jan. 21	1956 Jan. 14	1956 Jan. 7	1955 Dec. 31	1955 Jan. 29
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,725	1,757	1,767	1,854	1,820	1,473
Electric power by utilities mil. of kw-hr	11,512	11,521	11,594	11,057	10,751	10,003
Motor vehicles (Wards) number in thous.	163	169	175	144	119	183
Petroleum (daily avg.) thous. bbl.	6,994	7,045	7,014	7,026	6,987	6,677
Steel 1947-49=100	143	141	141	139	134	119
Freight carloadings thous. of cars	692	699	710	611	575	642
Department store sales 1947-49=100	94	98	104	94	88	87
Commodity prices, wholesale:						
All commodities 1947-49=100	111.6	111.5	111.7	111.8	111.4	110.1[a]
Other than farm products and foods 1947-49=100	119.8	119.9	119.9	119.8	119.6	115.2[a]
22 commodities 1947-49=100	88.8	88.3	89.8	90.2	89.9	91.7
Finance:						
Business loans mil. of dol.	26,211	26,322	26,396	26,643	26,673	21,994
Failures, industrial and commercial number	284	269	245	198	174	255

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for January, 1955.

RECENT ECONOMIC CHANGES

Profits at High

Corporate profits before taxes, as estimated by the Council of Economic Advisers, soared to $43.2 billion in 1955, up $9 billion from 1954. However, tax liabilities also climbed to a record high, so that although profits after taxes at $21.5 billion were a fourth above 1954, they were slightly below 1950. Virtually all industries shared in the increase, with durable goods industries' after-tax profits rising considerably more than nondurables. Leaders in the advance were the auto, steel and other metals, lumber, and chemical industries.

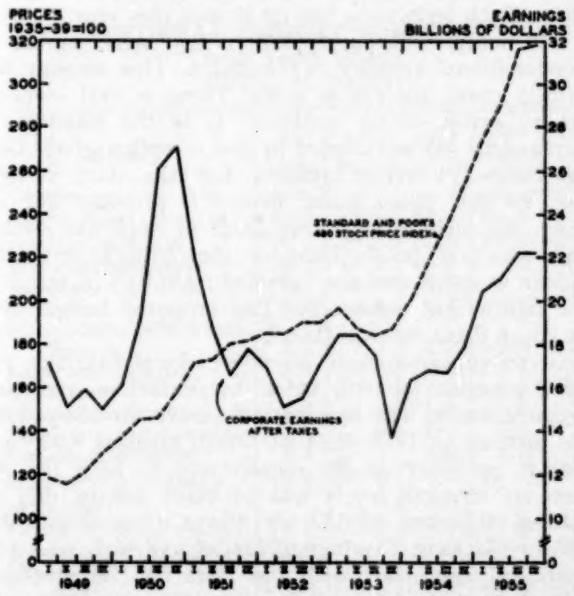
Reflecting the advance in earnings, stock prices were bid to an all-time high in 1955. As shown by the accompanying chart, there tends to be rough correspondence between movements of earnings and prices, though over the period shown, prices moved up from a relatively low to a relatively high position. Prices rose rapidly as earnings increased in 1950 and increased at a slower rate as earnings dropped back from the post-Korean peak. After the 1953 setback, prices started up again, rising 60 percent between the first half of 1954 and fourth quarter of 1955.

Dividends Lead Income Advance

Personal income spurted upward sharply in December as stockholders reaped the benefits of last year's increase in corporate earnings. Total income rose by $3 billion to a seasonally adjusted annual rate of $315 billion. Two-thirds of the month's advance was accounted for by unusually large disbursements of year-end dividends. The bulk of the remaining increase stemmed from higher wages, salaries, and transfer payments.

For the year as a whole, personal income amounted to $303.3 billion, more than 5 percent above 1954. Wages and salaries were up 6 percent to account for three-fourths of the year's advance. Interest, transfer payments, and nonfarm proprietors' income also rose about 6 percent each. Dividends were 12 percent higher than in 1954. On the other hand, there was little change in rental income, and farm income was down 5 percent.

POSTWAR BULL MARKET



Sources: Standard and Poor's Corporation; U. S. Department of Commerce; fourth quarter 1955 earnings estimated by Council of Economic Advisers.

Corporations Use Record Volume of Funds

Corporations used a record volume of funds to finance their fixed and working capital requirements in 1955. Uses of funds totaled $39.5 billion last year, 85 percent above 1954, and $3 billion above the previous highs of 1950 and 1951. The biggest part of the increase over 1954 resulted from the shift to inventory accumulation in 1955. Book values of corporate inventories were up by $4.0 billion last year compared with liquidation of $2.8 billion the year before. Customer receivables, net of payables, rose by $6.5 billion in 1955 compared with $1.9 billion in 1954, and holdings of cash, United States government securities, and other assets rose by $4.5 billion from liquidation of $1 billion the year before. Plant and equipment expansion required $24.5 billion, $2.1 billion more than in 1954.

Most of these funds were supplied from internal sources by the corporations making the investments. Depreciation allowances amounted to $14.5 billion and retained earnings to $9.5 billion, as estimated by the Council of Economic Advisers. Depreciation reserves have tripled since 1947, partly because of high-level depreciable investments throughout the postwar period and partly because of rapid amortization allowed on facilities considered necessary in the interest of national security. An additional $15.5 billion was derived from external sources. New security issues accounted for $6.0 billion of this figure, slightly more than in 1954 though below the previous three years. Increased bank borrowing and Federal income tax and other liabilities provided the remainder of the funds used.

New Economic Sector Price Indexes

The Bureau of Labor Statistics has worked up new indexes of wholesale prices. They differ from the Bureau's wholesale price index, which classifies prices by commodities and commodity groups, in that classification is in accordance with selected criteria to differentiate movements in important "sectors" of the economy. Commodities are divided into raw or crude materials, intermediate materials for further processing, and finished goods. Each of these major categories is further subdivided by end-use and durability. Thus finished goods are broken down into foods, other nondurables, and durable goods, and also into producers' and consumers' finished goods.

As would be expected, crude material prices are most volatile and finished goods prices most stable. Average wholesale prices of finished goods have not strayed more than two points from the 1955 average of 110.7 (1947-49 = 100) since the beginning of 1953. Crude materials prices in December, on the other hand, were 9 percent below the 1953 average. The decline in this index, which has been fairly persistent since early 1951, reflects continued reductions in wholesale prices of foodstuffs and animal feeds. Prices of nonfood crude materials were 8 percent higher at the end of 1955 than during 1953. Prices of intermediate commodities rose gradually between early 1953 and the middle of 1955, and then more sharply in the second half of last year as supplies of some commodities became short relative to demand.

THE FEDERAL BUDGET FOR 1957

H. DEWAYNE KREAGER

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The Federal budget for fiscal year 1957 is a "candy" budget. There is something in it for everybody. In fact, aside from lack of an "adequate" government power development program, it represents a document that would have delighted most Democrats for the past twenty years.

Better organized and presented, graphically and editorially, than traditional budget documents, it nevertheless represents the least policed budget in a generation or more. For the first time since 1939, when the Bureau of the Budget became the principal management arm of the President for fiscal control over the executive departments and agencies, the shadow of the Bureau casts little fear in the long halls of government. Original target figures for 1957, issued by the Bureau to agencies early last year as limiting ceilings, were exceeded by the estimates returned to the Executive Office of the President. Nearly every agency (notable exception TVA — cut 20 percent) received more from the Administration than the Bureau originally recommended.

Most significant basic fact in this 1957 budget is the reversal in the trend toward lower government expenditures which has prevailed through the first three years of the Eisenhower administration. Expenditures are up for 1957 and mark the beginning of a new trend expected to continue for several years. But this time businessmen are cautioned not to take rising government spending as an indication of a shot-in-the-arm for the nation's economy. A sustaining factor, yes, but not a source of additional business for the economy as a whole. The Administration's estimated increases are admittedly conservative at only $1.6 billion over 1956 (see table). While actual expenditures are expected to go even higher, possibly $2 billion or more, they will little more than offset rising costs on procurement items, expressed in terms of the expected 11-cent hourly increase in wages and significant jumps in raw materials prices.

Often overlooked, during the past three years, is the fact that while military expenditures have been dropping sharply, nondefense spending has been rising slowly. Major national security expenditures dropped $11 billion from 1953 to 1956. In the same span other spending has gone up a billion. The 1957 budget is no stranger to this trend. The $25.5 billion earmarked for nondefense items represents the highest nonmilitary spending on record.

Nondefense Increases Are Sustaining

It is in the nondefense area that much of the "candy" shows up. Paradoxically, with a businessmen's administration in the executive branch of the government, there will be more regulation of business, and more spent for welfare items. The variety of welfare programs slated for more money and more activity is evident from the following items selected at random: national parks, juvenile delinquency, regulation of monopoly, airport improvements, school construction, slum clearance, flood control, disaster insurance.

With reference to government regulation of business, more money for regulatory agencies means more staff and more activity. In the antitrust, anti-merger arena the Federal Trade Commission will pick up a 30 percent appropriation increase of $1.3 million, raising agency funds to $5.5 million in 1957. The Antitrust Division of the Justice Department will have a 33 percent increase, one million more than the $3.1 million available this year. Other regulatory agencies have similar increases. Meanwhile, government payrolls continue to rise.

Characteristically, nondefense expenditures provide a sustaining momentum to government spending. Once started they tend to continue year after year. The current moderate rise in welfare and other nondefense spending thus contributes to the rising level in government spending over the next few years. Defense spending, although more variable year to year, now will also support this trend. Momentum in spending is further enhanced by the proposal to increase new obligational authority, long-range contractual commitments, by $4.3 billion over 1956. This, incidentally, represents a $9.3 million increase over new obligational authority for 1955.

Political Influences Dominate

Political considerations forced the Administration to make a conservative estimate of expenditures for 1957. In an election year there is need to demonstrate fiscal responsibility, and the narrow "managed" surplus for 1956 and 1957 could permit an Administration recommendation for a tax cut later this spring if it becomes politically expedient. Congress will exert no more pressure to effect cuts than did the Bureau of the Budget.

With costs of materials and wages generally rising, real economies are almost impossible. Experience teaches us that significant multi-billion budget cuts are possible only in major national security items, which make up 61 percent of this budget. This year such cuts are out. The Administration's token increase for defense programs could be pushed upward both by the Congress in this session, and by supplemental appropriations later in fiscal 1957. The precarious nature of the predicted $400 million surplus in 1957 becomes evident when one notes that the Administration made a net deduction of $350 million in 1957 spending estimates for an assumed postal rate increase. Such legislation has no chance this year.

The budget allows a $903 million net increase in major national security expenditures. This amount will scarcely cover increasing costs. There is real evidence that a "revolt of the generals" is in the making, encouraged by but not caused by the reception given General Ridgway's recent articles. For the third straight year, no new procurement money is provided for the Army. Meanwhile, the Army Chief of Staff has already fired the first public blast in the Army's drive for nuclear weapons and for "greater mobility" in terms of new lightweight equipment. The proposed budget does not cover these considerations.

Given encouragement in congressional hearings, Air Force generals too will voice dissatisfaction over procurement limits. The new budget allows for about 1,900 new aircraft in 1957. Rule of thumb assumes 4,000 new aircraft per year as the requirement to keep the Air Force at strength levels and to build toward the announced objective of 137 air wings. Considering that Senators Jackson, Symington, Morse, and Kefauver, plus others, all concerned with the ratio of United States strength to that of Soviet Russia, are among those who will pursue testimony on the Air Force program, there will be plenty of encouragement for the generals.

In predicting military expenditures in fiscal year 1957 at least a billion dollars above those estimated now by the Administration, one should keep in mind that 1956 fiscal year expenditures are already running a billion and a half over the limits set by Administration leaders in their estimates a year ago. To understand the variable factors pushing upward on military expenditures, it is useful to consider the current Pentagon conflict over the "short war" and "long war" concepts. The short war idea, more aggressively supported by the Air Force, visualizes another world war as being of sixty to ninety days duration, during which the victorious side delivers an annihilation blow through greater effectiveness with nuclear weapons. The long war idea, long since abandoning the four to five year struggles typified by World Wars I and II, still has two facets: (1) an initial non-decisive period of nuclear attack, followed by a longer period of industrial and military recovery in which the nation first able to regroup its economy comes out on top; or (2) a series of hot incidents (like the Korean War) in the long drawn out stretch of cold war years.

In late December, the Air Force issued a new policy for production readiness, visualizing ideas of "production compression" and "production acceleration." While combining the long and short war concepts at least in part, both place a greater emphasis on military end items "in being," larger ready inventories of semi-processed production goods, and standby plant capacity "in being" for stepped up military production. Paramount in both is the belief that any tool of war not available in the first ninety days of conflict will contribute nothing to victory. When generally accepted for military programing, this policy spells a rising rate of military procurement.

Research will come in for more, particularly research facilities. Although military security is now heavily dependent upon rapid development of nuclear-powered aircraft and long-range guided missiles, the National Advisory Committee for Aeronautics was given no new money for new research facilities. This developed subsequently in the form of a $15 million amendment proposed, after submission of the budget, by Representative Durham (Dem., N. C.). Similar action in other areas will provide additional push in expenditures.

FEDERAL BUDGET SUMMARY
Fiscal Years 1953-57
(Billions of dollars)

Item	1953 Actual	1954 Actual	1955 Actual	1956 Estimate	1957 Estimate
Budget receipts	64.8	64.6	60.4	64.5	66.3
Budget expenditures	74.3	67.6	64.6	64.3	65.9
Major national security	50.4	46.9	40.6	39.5	40.4
Veterans	4.3	4.3	4.5	4.8	4.9
Interest	6.5	6.4	6.4	6.8	7.0
International affairs and finance	2.2	1.7	2.2	2.0	2.1
Labor and welfare	2.4	2.5	2.6	2.8	3.0
Agriculture	2.9	2.6	4.1	3.4	3.4
Natural resources	1.4	1.2	1.1	1.0	1.0
Commerce and housing	2.6	.9	1.6	2.2	2.1
General government	1.5	1.2	1.2	1.6	1.8
Budget surplus or deficit	−9.5	−3.0	−4.2	+ .2	+ .4*
Cash budget:					
Payments to the public	76.8	72.0	70.5	71.0	72.9
Receipts from the public	71.5	71.5	67.8	73.5	75.4
Cash budget surplus or deficit	−5.3	−0.5	−2.7	+2.4	+2.4

* Allows $225 million reserve for contingencies.
Source: Bureau of the Budget.

Budget estimates allow $400 million for new agricultural money, based on the soil bank proposal, which visualizes paying most of the cost of acreage retirement and conservation through sales of surplus commodities now held by the Commodity Credit Corporation. A rather clever political gimmick, this plan would have permitted the Republicans to say that they were paying for their farm program with the Democrats' surpluses. But both parties now agree that the soil bank will not increase farm income, particularly in the urgent political period before elections, and that sale of surplus commodities to finance the Administration's farm program will only push prices lower in the market place. The outlook is for package legislation, combining features of both the soil bank and parity (rephrased to save face in both parties), all on a cash basis. This spells additional expenditures in the next 18 months for agriculture.

The above items alone could add $2 billion net to 1957 expenditures.

Estimates of Surpluses Are Precarious

While expenditures for fiscal year 1956 should be slightly higher than currently estimated, they may be exceeded by an even greater increase in receipts. Personal income levels, higher now than the $312.5 billion rate used in programing the budget, should provide for sufficient 1956 fiscal year receipts to put the year's surplus closer to $500 million than to the estimated $200 million. This will be the "token cut in the public debt" sought by the Eisenhower administration as a prerequisite to recommending a personal tax cut.

Estimates of 1957 fiscal year receipts are sheer speculation at this early date in a political year. Nevertheless, on the basis of the Administration assumption of no tax cut, its $66.3 billion estimate of total receipts (up $1.8 billion over 1956) is precarious. Higher income levels will provide a broader base for government revenues. But a personal income tax cut is inevitable this political year, encouraged by the 1956 surplus. The effect on revenues will be in the neighborhood of $2.5 billion to $3.0 billion, depending upon the date applied. While rising income sources will partially offset this, they may not be enough to balance the minimum increase of $2 billion in net expenditures suggested above. This leaves us with a possible deficit in the Administration budget of $1.5 billion for fiscal year 1957 in place of the $400 million surplus anticipated in the budget message.

The term "administration budget" is applied to the annual program submitted for government operations that require authorization and appropriations from the Congress, and which must be supported by revenues from tax and custom sources. Since the government operates vast social security and retirement programs it also collects and pays out a lot of money in addition to that included in the administration budget. When these trust fund accounts are added in, giving the net of receipts from the public over payments to the public, or vice versa, the term "cash budget" is used. The net $5.1 billion change in one year in the cash budget, from a minus $2.7 billion in 1955 to a plus $2.4 billion in 1956, should be considered as mildly depressive. With bigger revenues expected this spring the surplus could go to $3 billion. For fiscal year 1957, considering the probability of increased expenditures, and the near certainty of a tax cut, the cash surplus could fall to one billion or less, well below the budget estimate of $2.4 billion for 1956.

Taxes

A most important consideration for business is that the corporate income tax rate of 52 percent will not be reduced in this session of the Congress, and in all probability, will continue indefinitely. Rising costs, the new trend to increasing government expenditures, and political pressures to apply tax relief in the personal income category spell stalemate on corporate income tax levels. Factually speaking, if the business community can secure no relief on this item from the current businessmen's administration there is no practical reason for expecting help next year or the year after, regardless of the outcome of the 1956 elections.

Excise tax rates will be extended as is, with two possible exceptions: (1) the gas tax forgiveness for farmers which represents only a $60 million cut in revenues, and (2) expected increases in highway use taxes (gasoline, Diesel fuel, and tires) to defray the cost of the anticipated new Federal highway program, which is not covered by the budget. Excise tax changes require substantial advance planning on rates, both by the Treasury and by staff of appropriate congressional committees. Attention the past year has concentrated on administration and interpretation of the existing code rather than on rate revision.

Serious intentions toward personal income tax cuts is suggested by the 22 possible plans for personal tax cuts submitted to the Joint Committee on Taxation by its staff. Two are possibilities. The first, to raise personal exemptions from $600 to $700, would eliminate 5.6 million taxpayers from the rolls entirely, and therefore is administratively attractive. On the other hand, such action would give higher brackets a better break than lower income groups below $5,000. A possibility now is that rates applying to the first $2,000 of taxable income will be lowered to give all taxpayers the same break — $50 for single people, $100 for couples. This proposal, however, would cost more, and therefore may prove to be less attractive to the Congress.

Significantly, as the months have gone by, this Administration has changed its emphasis on "balancing the budget" to "managing the budget." The political desirability of balance will be achieved this current fiscal year. And the budget certainly must be considered now as being within manageable limits. When we speak of a possible variation of but $2 billion (from a $500 million surplus to a $1.5 billion deficit) for 1957, with the strong possibility that variability within that range will continue for some years to come (barring hot war action), the situation is not cause for alarm, the size of the Federal debt notwithstanding.

Economic Problem of the West

(Continued from page 2)

minent. It is not unfair to point out, however, that the boom in Europe has progressed to the point where a readjustment is practically inescapable. Almost any kind of shock could put the forces of deflation to work.

Since the expansion of foreign trade has been an important factor in the investment boom, a curtailment of trade could provide the kind of shock that would cumulate into recession. The reaction on induced investment could spread through the economy, so that any recession might well be out of proportion to its cause. Last month it was suggested that a readjustment in this country would produce a more than proportional reduction in our buying from abroad. The major portion of the expansion in Europe is not based on exports to us, but their other markets would also be adversely affected. Thus, the ground is laid for blaming a large reaction on a minor reversal here, which, though far from wholly responsible, might happen to set it off.

What Can Be Done

The forces of cyclical reversal and decline make no distinctions of geography, or of social or political systems. They work the same everywhere, in all economies that have made enough progress to create a reserve of capacity and put a large volume of durable goods into use. The extent to which an economy can escape their consequences depends upon its flexibility, upon its ability to shift at the right time into new lines of activity.

The European countries would seem to have some advantages over us with respect to establishing the necessary control. They have greater opportunities in the form of larger backlogs of unsatisfied needs for such items as housing and public construction; and their political philosophy and institutions allow greater scope for government action. In other respects, their position is relatively weaker.

There are obstacles everywhere to putting large "public works" programs into effect. Any basic redirection of activity imposes serious difficulties of transferring workers and other resources from one industry to another. Moreover, action can hardly be well begun before basic conflicts of policy are resolved — for example, as to desirable levels of unemployment.

As the boom has progressed, there has been a tendency to move away from the philosophy of direct control. This movement reflects a state of mind which attributes success to reliance on the "free economy," on the abandonment of specific controls in favor of monetary measures. The first steps taken will no doubt be a reversal of the minor restraints imposed in this form, with opposition to a larger government role before the effects of credit easing are apparent. This will tend to inhibit more effective action until the problem has grown to more difficult proportions.

How quickly the European countries will be able to reverse restrictive policies, such as those aimed at holding down consumption, is a question. The "automatic stabilizers" will no doubt help to maintain consumption. Tax reductions may also play a part, though specific measures are fought over as vigorously there as in this country. Furthermore, it is not so easy for them to rely on unbalanced government budgets as it is for us. Fear of inflation is strong, based on actual experience, and deficits are regarded as the source of inflation.

Although the balance may favor somewhat more effective action against a recession in most of Europe, it can hardly be said that they, any more than we, have brought the business cycle under control. As we have moved up together, so we may move down together. The materials-supplying and undeveloped countries in other areas will also be adversely affected. Almost everywhere measures will be adopted to minimize the decline. The future hinges on the wisdom and effectiveness of the actions to be taken.

VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Economic Motivation

A growing interest in the motivations behind economic behavior has resulted in two important new bulletins published by the Bureau of Economic and Business Research. One is *Consumer Behavior and Motivation,* which presents the papers given at the 1955 Marketing Symposium held by the Marketing Department of the University of Illinois last fall. The papers included are "A Functionalist Approach to Consumer Motivation," by Wroe Alderson; "Scientifically Predicting and Understanding Human Behavior," by Ernest Dichter; "Measuring Motivational Forces Influencing Consumer Behavior," by Rensis Likert; "Can the Clinical Techniques Be Validated?" by Darrell B. Lucas; "External Product and Enterprise Differentiation and Consumer Behavior," by Ewald T. Grether; and "Projective Techniques from an Analytical Point of View," by Robert Ferber. The bulletin is priced at $1.00.

The second bulletin is *Determinants of Capital Expenditures,* by Robert Eisner. It is the report of an interview study of several large manufacturing firms. The study attempts to synthesize interview data and economic theory regarding the reasoning behind expenditures for capital expansion. Among the topics covered are the lines of authority for determining expenditures, criteria for authorizing expenditures, and influence of cost of capital and availability of internal funds. Its price is $1.50.

Both of these bulletins are available from 205 David Kinley Hall, Urbana, Illinois.

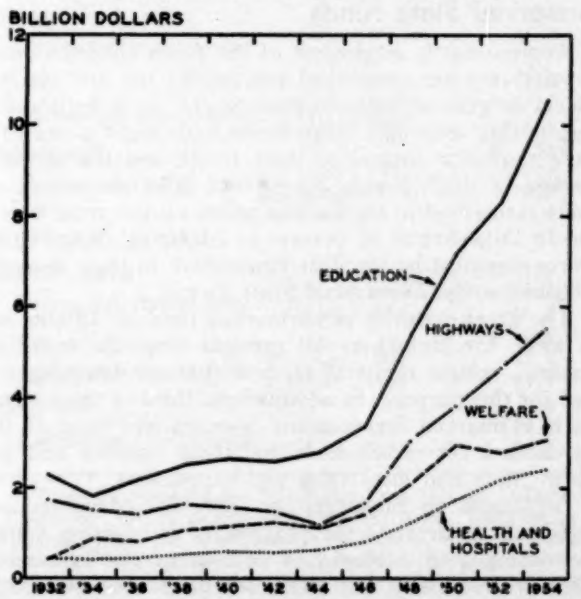
Record State and Local Spending

Expenditures of state and local governments, excluding state grants to local units, rose to an all-time high of $30.7 billion in 1954, 10 percent over 1953's previous record. About two-thirds of this amount was for current operations, covering such items as wages and salaries, purchases of goods and services used by the governments, and purchases of goods for resale by the governments. Most of the remainder was for capital outlays for buildings, highways, and equipment.

Expenditures for some of the principal functions of state and local governments have increased substantially since the end of World War II, as may be seen in the accompanying chart. Education continues to use the largest portion of the funds. That this has increased so rapidly since the war is probably the result of the baby boom during the 1940's. Highway spending surpassed $5 billion for the first time in 1954, although despite this rising trend it has failed to do any more than keep pace with the increase in automobile purchases by consumers.

Costs of operating utilities, almost entirely local in nature, have also expanded rapidly in recent years. These include water systems, city transportation systems, and municipal gas and light companies. In 1954 $2.6 billion was spent by these companies throughout the nation, two and one-half times the amount spent in 1946.

STATE AND LOCAL EXPENDITURES



Source: U. S. Department of Commerce.

Metal News

Aluminum in a tube is a recent product of the Magic Iron Cement Company, 5403 Bower Avenue, Cleveland 27, Ohio. In paste form, the plastic aluminum can be used for patching and mending of all types of metal surfaces, according to the maker. It is spread on just as it comes from the tube and requires only three to four hours to dry. It is waterproof, gasoline-proof, and able to withstand heats up to 600 degrees Fahrenheit.

For use primarily in the field of heat exchange is a new type of strip metal with expandable portions in which tubes or channels may be inflated. Called Tube-in-Strip, the product is made of copper, brass, or aluminum by Revere Copper and Brass, Inc., 230 Park Avenue, New York 17. The metal can be stamped or drawn before the channels are inflated, and dies may be used to expand the tubes into shapes other than the normal circular one.

Working Wives

As of April, 1955, more than two-thirds of the working women in the United States were married, according to a recent Census report. A record 11.8 million wives were employed at that time as compared with a decline in single working women to 5.1 million. An increase in the proportion of married women in the total adult female population accounts for only part of these diverging trends. Another major factor has been the increasing proportion of wives working to maintain or raise family income. The declining number of single women working has been aided by the trend toward more education.

Last April 29.4 percent of all the married women in the nation were in the labor force. The proportion varied considerably by age group, however:

Age	*Proportion working*
Under 35	26.5%
35-44	33.7
45-64	29.0
65 and over	7.5

The somewhat smaller than average portion of those under 35 working is probably the result of the need to be at home with small children. Only 16.2 percent of those with children under six were in the labor force as compared with 33.4 percent of those whose children were school age or older.

LOCAL ILLINOIS DEVELOPMENTS

Seasonal peaks highlighted the picture of Illinois business in December. Christmas activity brought sharp gains in electric power production, department store sales, bank debits, and business loans extended by leading Chicago banks. Life insurance sales and coal production also rose substantially during the month.

A seasonal drop in construction contracts awarded resulted in a lower level of awards than in the same month of 1954. Construction and agriculture were the only major segments of the economy at lower levels than in December, 1954.

Life Insurance Purchases

Continuing the long-term growth in "insurance-mindedness," life insurance sales in Illinois reached a new peak last year. In total, $2.0 billion was purchased in the State, 18 percent more than in 1954, according to figures compiled by the Life Insurance Agency Management Association.

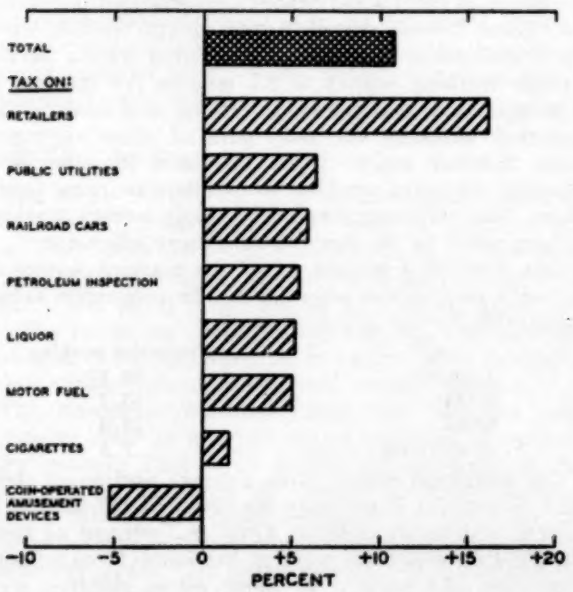
While sales rose in Illinois during 1955, they did not keep pace with the 20 percent increase in nationwide sales. Purchases of life insurance in 29 states expanded more rapidly, Nevada taking the lead with a 50 percent gain.

In Chicago alone sales rose 22 percent, substantially more than in the outlying areas of the State. Even there, however, sales lagged behind many of the other large cities, with Detroit, for example, recording a gain of 31 percent.

Tax Collections in 1955

A booming economy brought State tax revenues up 11.6 percent last year to a total of $471 million. Substantial increases were recorded in most of the major taxes. In addition a new tax was imposed, yielding almost $3 million in the four months it was collected. This is the use tax, to extend the retailers' occupation tax to out-of-state purchases.

TAX REVENUE
(Percent change, 1954 to 1955)



Source: Illinois Department of Revenue.

As may be seen in the accompanying chart, the largest gain was chalked up by the retailers' occupation tax. Higher sales and a midyear increase in the tax rate resulted in a boost of $35 million, 70 percent of the total rise in State revenue.

The motor fuel tax, next largest source of State income, rose by $7 million as the number of cars on the road continued to expand. Levies on public utilities increased over $2 million, and both the cigarette tax and the liquor tax yielded $1 million more than they had in 1954.

The only tax to show a decline during the year was that on coin-operated amusement devices, the smallest of the "major" taxes. The revenue loss was only $22,857, a 5.6 percent drop.

Record Minerals Production

Illinois production of minerals in 1955 was estimated at $568 million, the highest amount in the State's history, according to the State Geological Survey. As a result Illinois will probably have little trouble retaining its rank as seventh among the states in mineral production.

Oil yielded the greatest dollar return, surpassing coal for the second time. The discovery of new pools and more extensive use of secondary recovery methods raised the value of oil production almost 20 percent to $236 million.

Coal production reversed its downward trend during 1955, and climbed to a total of 45 million tons worth $180 million. The increase in demand of electrical generating plants offset a further decline in railroad requirements. Peak industry operations also aided in building up demand for Illinois coal. The state ranks fourth among the producing states with almost 10 percent of total national output.

Increasing demands from the steel industry boosted the output of fluorspar. The construction boom continued to bolster the mining of stone, clay, sand, and gravel during 1955, their total value amounting to about $127 million.

Earmarked State Funds

Approximately 40 percent of the funds collected from Illinois taxes are earmarked for specific use and are not subject to general authorization by the State legislature. Despite this seemingly large figure, only eight states earmark a smaller portion of their funds, and the national average is slightly over 50 percent. The proportion of funds earmarked in the various states ranges from 6 percent in Delaware to 89 percent in Alabama, according to figures compiled by the Tax Foundation in their recently published study, *Earmarked State Taxes.*

The great majority of earmarked funds in Illinois are set aside for highways. All receipts from the taxes on gasoline, vehicle registration, and operator licensing are used for this purpose. In addition one-third of the tobacco tax is earmarked for veterans' bonuses and most of the pari-mutuel tax is set aside for these bonuses and for use in State and local fairs and expositions.

In Illinois no funds are set aside for education and welfare in contrast to the practice in many other states. For example, in Alabama 65 percent of the earmarked funds are for use in education, and in most of the southwestern states large portions are set aside for welfare.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

December, 1955

	Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS	**$15,697[a]**	**1,087,535[a]**	**$481,867[a]**		**$15,507[a]**	**$19,965[a]**
Percentage change from Nov., 1955	*−43.5*	*+5.8*	*+0.3*	*+48*	*+11.7*	*+17.5*
Percentage change from Dec., 1954	*−41.9*	*+9.6*	*+21.5*	*+8*	*+4.2*	*+3.4*
NORTHERN ILLINOIS						
Chicago	**$11,564**	**825,770**	**$335,505**		**$14,179**	**$17,084**
Percentage change from Nov., 1955	*−45.9*	*+6.1*	*−2.1*	*+48*	*+12.2*	*+13.4*
Percentage change from Dec., 1954	*−41.2*	*+8.5*	*+26.4*	*+8*	*+3.8*	*+3.6*
Aurora	**$ 144**	n.a.	**$ 7,203**		**$ 62**	**$ 173**
Percentage change from Nov., 1955	*−10.6*		*+7.5*	*+46*	*+5.4*	*+39.0*
Percentage change from Dec., 1954	*+121.5*		*+6.0*	*+10*	*+11.4*	*+7.5*
Elgin	**$ 116**	n.a.	**$ 5,715**		**$ 39**	**$ 157**
Percentage change from Nov., 1955	*−80.3*		*+4.7*	*+31*	*+10.9*	*+14.6*
Percentage change from Dec., 1954	*−41.1*		*+1.4*	*+4*	*+5.8*	*+15.7*
Joliet	**$ 100**	n.a.	**$10,409**		**$ 81**	**$ 174**
Percentage change from Nov., 1955	*−62.4*		*−4.8*	n.a.	*+9.6*	*+89.1*
Percentage change from Dec., 1954	*−84.2*		*+5.9*		*+11.7*	*+2.9*
Kankakee	n.a.	n.a.	**$ 5,044**		n.a.	**$ 73**
Percentage change from Nov., 1955			*+3.8*	n.a.		*+61.6*
Percentage change from Dec., 1954			*−0.1*			*+2.7*
Rock Island-Moline	**$ 238**	**24,930**	**$ 9,390**		**$ 96[b]**	**$ 240**
Percentage change from Nov., 1955	*−52.5*	*+9.6*	*−2.2*	n.a.	*+5.5*	*+49.4*
Percentage change from Dec., 1954	*−81.7*	*+15.4*	*+7.6*		*+7.8*	*−8.2*
Rockford	**$ 962**	**39,519**	**$16,897**		**$ 184**	**$ 345**
Percentage change from Nov., 1955	*−4.6*	*+5.0*	*+3.8*	*+58[c]*	*+13.6*	*+66.7*
Percentage change from Dec., 1954	*−24.1*	*+14.3*	*+16.4*	*+10[c]*	*+17.6*	*+6.3*
CENTRAL ILLINOIS						
Bloomington	**$ 551**	**8,014**	**$ 5,716**		**$ 72**	**$ 131**
Percentage change from Nov., 1955	*+204.4*	*+6.0*	*+13.0*	n.a.	*+32.2*	*+30.3*
Percentage change from Dec., 1954	*+580.2*	*+10.4*	*+14.5*		*+21.5*	*+14.9*
Champaign-Urbana	**$ 153**	**10,844**	**$ 7,508**		**$ 63**	**$ 142**
Percentage change from Nov., 1955	*−22.3*	*+9.2*	*+12.0*	n.a.	*+1.0*	*+33.9*
Percentage change from Dec., 1954	*0.0*	*+12.6*	*+17.9*		*+5.2*	*−12.4*
Danville	**$ 216**	**10,476**	**$ 6,658**		**$ 52**	**$ 95**
Percentage change from Nov., 1955	*−7.3*	*+4.0*	*+14.2*	*+62*	*+3.6*	*+42.9*
Percentage change from Dec., 1954	*+28.6*	*+7.8*	*+19.3*	*+6*	*+4.7*	*−5.1*
Decatur	**$ 737**	**32,707**	**$11,674**		**$ 121**	**$ 177**
Percentage change from Nov., 1955	*−29.7*	*+1.1*	*+10.7*	*+49[c]*	*+3.6*	*+55.0*
Percentage change from Dec., 1954	*+24.7*	*+24.8*	*+13.6*	*+7[c]*	*+6.5*	*0.0*
Galesburg	**$ 100**	**7,866**	**$ 4,328**		n.a.	**$ 61**
Percentage change from Nov., 1955	*−59.3*	*−2.1*	*+5.9*	n.a.		*+57.7*
Percentage change from Dec., 1954	*−17.4*	*+8.6*	*+10.9*			*+1.2*
Peoria	**$ 281**	**51,860[c]**	**$17,119**		**$ 224**	**$ 395**
Percentage change from Nov., 1955	*−75.0*	*+3.1*	*+8.3*	*+44[c]*	*+2.4*	*+33.2*
Percentage change from Dec., 1954	*−13.8*	*+9.9*	*+12.9*	*0[c]*	*+6.8*	*+8.5*
Quincy	**$ 138**	**9,088**	**$ 5,128**		**$ 40**	**$ 99**
Percentage change from Nov., 1955	*−42.7*	*+6.7*	*+15.1*	*+52*	*+2.5*	*+42.7*
Percentage change from Dec., 1954	*−9.8*	*+11.7*	*+13.6*	*0*	*+1.8*	*−8.1*
Springfield	**$ 153**	**33,762[c]**	**$14,690**		**$ 118**	**$ 346**
Percentage change from Nov., 1955	*−21.1*	*+6.1*	*+16.9*	n.a.	*+7.6*	*+56.7*
Percentage change from Dec., 1954	*−40.5*	*+12.5*	*+22.0*		*+7.6*	*+2.8*
SOUTHERN ILLINOIS						
East St. Louis	**$ 150**	**12,739**	**$ 9,187**		**$ 133**	**$ 134**
Percentage change from Nov., 1955	*+56.3*	*+6.0*	*−1.7*	n.a.	*−2.2*	*+121.0*
Percentage change from Dec., 1954	*−67.9*	*+6.4*	*+3.1*		*−6.3*	*+0.9*
Alton	**$ 85**	**12,818**	**$ 4,944**		**$ 44**	**$ 61**
Percentage change from Nov., 1955	*−46.5*	*+2.6*	*+3.4*	n.a.	*+12.7*	*+70.4*
Percentage change from Dec., 1954	*−93.4*	*+7.9*	*+10.2*		*+12.5*	*−2.2*
Belleville	**$ 9**	**7,143**	**$ 4,752**		n.a.	**$ 78**
Percentage change from Nov., 1955	*−94.3*	*+11.6*	*+6.8*	n.a.		*+47.9*
Percentage change from Dec., 1954	*−96.8*	*+20.1*	*+8.7*			*+7.8*

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Data are for August, 1955, the most recent available. Comparisons relate to July, 1955, and August, 1954. July data are available on request. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports.

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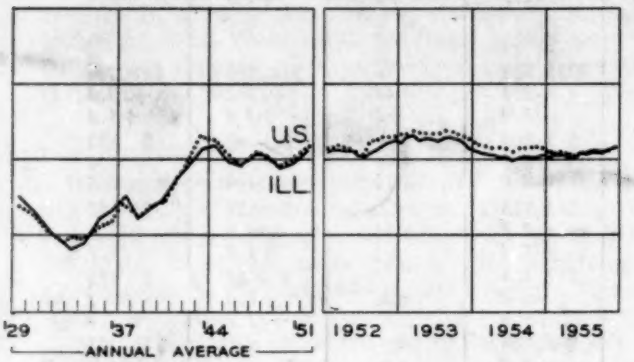
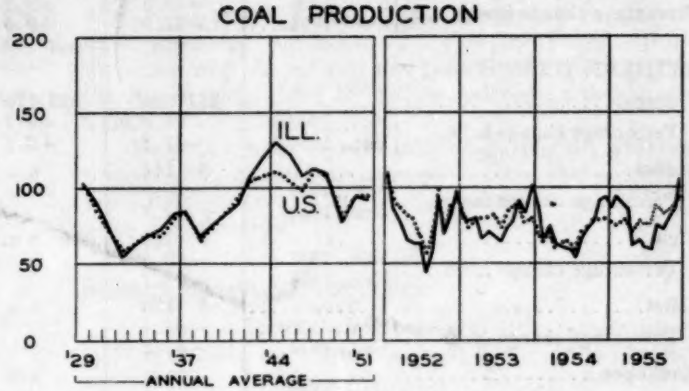
INDEXES OF BUSINESS ACTIVITY

1947-1949 = 100

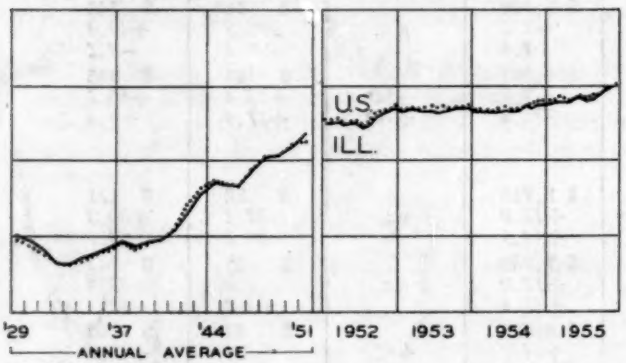
EMPLOYMENT - MANUFACTURING



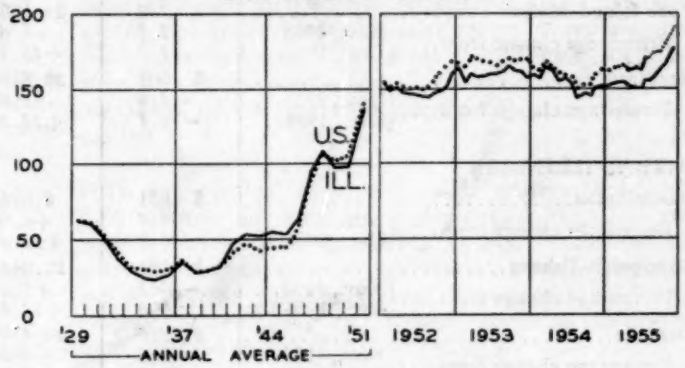
COAL PRODUCTION



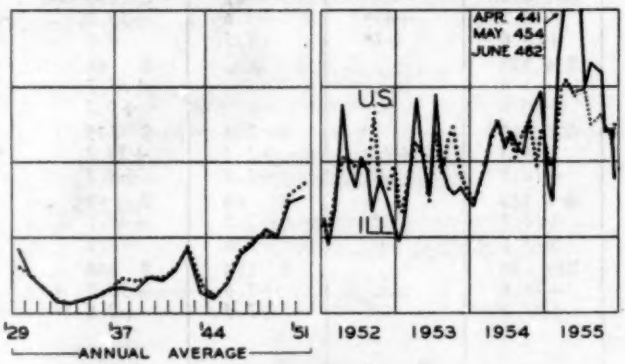
AVG. WKLY. EARNINGS — MANUFACTURING



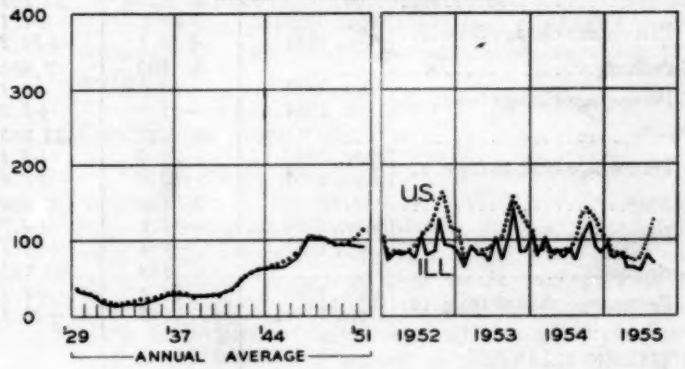
BUSINESS LOANS



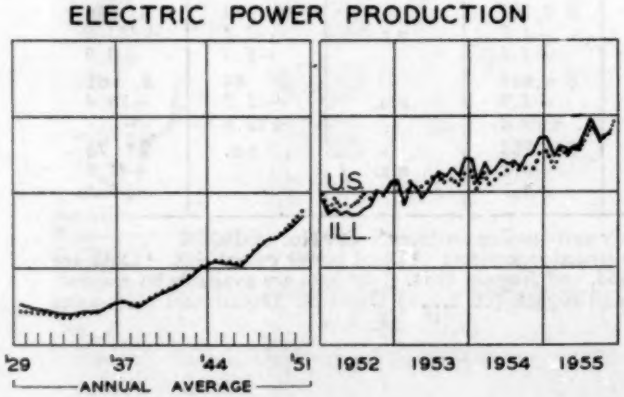
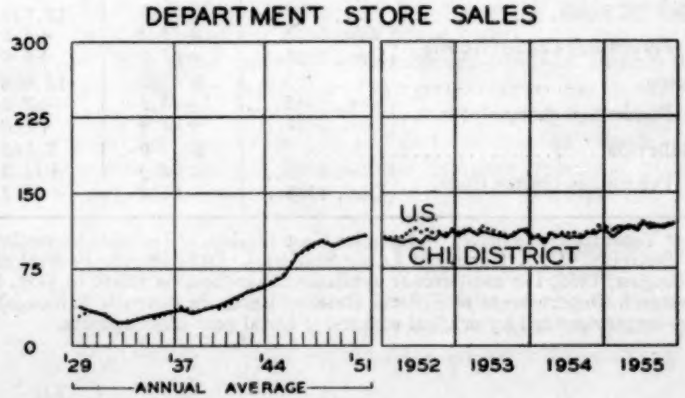
CONSTRUCTION CONTRACTS AWARDED



CASH FARM INCOME



ELECTRIC POWER PRODUCTION



DEPARTMENT STORE SALES